



Paper No. 21

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OFFICE OF PETITIONS

In re Patent of Takayama et al.	:	
Patent No. 5,875,082	:	
Issue Date: February 23, 1999	:	Decision on Petition
Application No. 08/794,709	:	
Filing Date: February 4, 1997	:	
Attorney Docket No. 29284-422	:	

This is a decision on the renewed petition under 37 CFR 1.378(b), filed January 24, 2007, to reinstate the above-identified patent.

The petition is **DENIED**. This decision may be viewed as a final agency action within the meaning of 5 U.S.C. 704 for purposes of seeking judicial review. See MPEP 1002.02. The terms of 37 CFR 1.378(e) *do not apply* to this decision.

Since this patent will not be reinstated, the \$900 maintenance fee and the \$700 surcharge are refundable. Therefore the Office has credited \$1,600 back to petitioner's deposit account. The \$400 fee for requesting reconsideration is not refundable.

Background

The patent issued February 23, 1999. The 3.5 year maintenance fee was due from February 23, 2002, through August 23, 2002, or with a surcharge during the period from August 24, 2002, through February 24, 2003.¹ The fee was not timely paid. Accordingly, the patent expired as of midnight on February 24, 2003.

A petition under 35 U.S.C. 41(c)(1) and 37 CFR 1.378(b) was filed July 31, 2006, and was dismissed in the decision of October 3, 2006. A request for reconsideration was filed December 4, 2006. The Office mailed a Request for Information on January 12, 2007. The instant renewed petition was filed in response to the Request for Information.

¹ Since the last day for paying the fee fell on a Sunday, the fee could have been paid on Monday, February 24, 2003, and still been considered timely.

Applicable Statutes and Regulations

35 U.S.C. 41(b) states in pertinent part that, "Unless payment of the applicable maintenance fee is received . . . on or before the date the fee is due or within a grace period of six months thereafter, the patent shall expire as of the end of such grace period."

35 U.S.C. 41(c)(1) states that, "The Director may accept the payment of any maintenance fee . . . after the six month grace period **if the delay is shown to the satisfaction of the Director to have been unavoidable.**" (emphasis added)

37 CFR 1.378(b)(3) states that any petition to accept delayed payment of a maintenance fee must include:

A showing that . . . reasonable care was taken to ensure that the maintenance fee would be paid timely and that the petition was filed promptly after the patentee . . . became aware of . . . the expiration of the patent. The showing must enumerate the steps taken to ensure timely payment of the maintenance fee, the date, and the manner in which patentee became aware of the expiration of the patent.

Opinion

Petitioner must establish that petitioner treated the patent the same as a reasonable and prudent person would treat his or her most important business.

The general unavoidable standard applied by the Office requires petitioner to establish that petitioner treated the patent the same as a reasonable and prudent person would treat his or her most important business.² However, "the question of whether [delay] was unavoidable [will] be decided on a case-by-case basis, taking all of the facts and circumstances into account."³ The statute requires a "showing" by petitioner. Therefore, petitioner has the burden of proof. The decision will be based solely on the written, administrative record in existence. It is not enough that the delay was unavoidable; petitioner must prove that the delay was unavoidable. A petition will not be granted if petitioner provides insufficient evidence to "show" that the delay was unavoidable.

Facts:

Hitachi, Ltd. ("Hitachi") and Hitachi Maxell Ltd. ("Maxell") are co-assignees.

² 37 CFR 1.378(b) requires "[a] showing that the delay was unavoidable since reasonable care was taken to ensure that the maintenance fee would be timely paid." The Federal Circuit has stated, "[I]n determining whether a delay in paying a maintenance fee was unavoidable, one looks to whether the party responsible for payment of the maintenance fee exercised the due care of a reasonably prudent person." Ray v. Lehman, 55 F.3d 606, 609, 34 U.S.P.Q.2d (BNA) 1786 (Fed. Cir. 1995) (citing Douglas v. Manbeck, 21 U.S.P.Q.2D (BNA) 1697, 1700 (E.D. Pa. 1991), aff'd 975, F.2d 869 (Fed. Cir. 1992) (table), and In re Mattullath, 38 App. D.C. 497, 514-15 (D.C. Cir. 1912)).

³ Smith v. Mossinghoff, 671 F.2d 533, 538, 213 U.S.P.Q. (BNA) 977 (D.C. Cir. 1982).

The Japanese law firm of Asamura Patent Office ("Asamura"), via the U.S. law firm of Kenyon and Kenyon, prosecuted the application.

The patent issued February 23, 1999.

On an unspecified date after the patent issued, Hitachi determined it did not wish to pay the 3.5 year maintenance fee for the patent.

On January 17, 2000, Hitachi sent a letter asking Maxell if Maxell wished to maintain the patent.

On May 16, 2000, Hitachi absolved Asamura of all responsibility for the patent and transferred responsibility for the patent to Olcott International & Co. ("Olcott"). At this time, Hitachi had not yet received a reply from Maxell to the letter mailed January 17, 2000.

On July 28, 2000, Maxell replied to the January 17, 2000 letter. The reply included a copy of the January 17, 2000 letter with added handwritten notes. With regard to the instant patent, the handwritten notes state, "Maintain this patent.... [W]e agree to incur all charges for maintenance of this patent."

Hitachi assumed, based on the July 28, 2000 letter, Maxell did not wish for Hitachi to continue to implement procedures to pay maintenance fees for the patent. Hiroshi Tamura, a manager in Hitachi's Intellectual Property Group, has filed a declaration stating,

[Maxell stated] they wished to maintain this patent at their account. When Hitachi, Ltd. received this reply, we considered that [Maxell] would maintain this patent through their own control.⁴

Hitachi assumed Maxell "had started their annuities systems for the maintenance of the patent."⁵

Satoshi Inamo, a General Manager in the Intellectual Property Division at Maxell, states

[W]hen Hitachi, Ltd., informed us that they did not wish to maintain the [instant] Patent, we replied that we wished to maintain this patent at our cost. [Maxell intended for its] reply to mean that the [instant] patent would be maintained as usual.... As Hitachi, Ltd. often continues the maintenance of an annuity for the co-applicant, even if Hitachi Ltd. abandons a patent, and moreover, we did not have a business relationship with [Olcott], which maintained the patent, ... [Maxell] considered that Hitachi, Ltd. would maintain this patent as before.⁶

⁴ Tamura declaration filed July 31, 2006, paragraphs 6 and 7.

⁵ Tamura declaration filed July 31, 2006, paragraph 10.

⁶ Inamo declaration filed July 31, 2006, paragraphs 6, 7, and 15.

Maxell relied on Hitachi to ensure maintenance fees would be paid and took no independent steps to ensure timely payment of any maintenance fees.

On August 1, 2000, Hitachi instructed Olcott not to maintain the instant patent. On the same date, Hitachi sent a letter by facsimile transmission to Asamura. The letter states,

Hitachi [and] Maxell have discussed ... the patent and application listed below, and Hitachi, Ltd. and [Maxell have] decided that [Maxell will] pay all charges for [the] patent and application. Therefore, we would ask you to change your data [to ensure] Maxell incurs all fees.⁷

Asamura has not been able to locate a copy of the August 1, 2000 letter in its files. However, the law firm concedes the letter might have been received by the law firm. However, Sadafumi Kobori, Senior Partner at Asamura, states,

[I]f the person in charge at that time (who has already retired from our office) received the letter of August 1, 2000 he could not have started our maintenance system of this patent. Because, we can not infer from the facsimile letter that [Hitachi] instructed [Asamura] to maintain the patent. Therefore, he might have ignored the letter as a mere information letter since a fresh debit otherwise would have been issued in this case.⁸

Shoji Kamon, a manager at Asamura, remembers receiving a letter of similar content that he believes, but does not know, was the letter mailed August 1, 2000. Kamon states,

Because the maintenance of the patent had been transferred to [Olcott, I concluded] further charges on [this case] would not accrue.⁹

The August 1, 2000 letter did not result in Asamura taking any steps to ensure maintenance fees would be timely paid for the instant patent.

The 3.5 year maintenance fee was due from February 23, 2002, through August 23, 2002, or with a surcharge during the period from August 24, 2002, through February 24, 2003.

On March 7, 2002, Hitachi prepared a letter to be mailed to Asamura. The letter states,

[T]he patent was filed under the names of [Maxell and Hitachi] and we [had] asked [Olcott] to retain the maintenance of this patent. Recently, we conferred with [Maxell] and reached the conclusion [Maxell] solely maintain this patent. Therefore, we ... ask you ... to maintain this patent instead of [Olcott]....

Please pay 3.5 year annuity....

⁷ The quoted language is based on the English translation of the letter written in Japanese.

⁸ Kobori declaration, paragraphs 11, 12, and 13.

⁹ Kamon declaration filed December 4, 2006, paragraph 2.

[Maxell will] incur [the] full amount of the maintenance fees....

The letter states an agreement by Maxell to solely incur the cost of the maintenance fee is enclosed. The enclosed agreement by Maxell was simply a copy of the July 28, 2000 reply from Maxell.

Asamura has been unable to locate a copy of the March 7, 2002 letter in its files. Tamura states, "If the letter was not received by Asamura, there is also a possibility that the letter was lost in the Head Office."¹⁰

The letter was mailed under unusual circumstances. Normally, Hitachi sends instructions to pay maintenance fees to Asamura by facsimile transmission. However, the letter was sent using the same procedures Hitachi uses when sending instructions to Olcott. Specifically, the mail was sent by inter-office mail to the Head Office of the Intellectual Property Group to be sent by regular mail. Unlike the other letters in the file, the March 7, 2002 letter is undated. The Head Office did not keep a copy of the letter and the Head Office is unable to confirm the letter was mailed to Asamura.

Kobori, Senior Partner at Asamura, has stated, even if the March 7, 2002 letter had been received by Asamura, the person in charge at the time could not have paid the maintenance fee "because the letter was not mailed from [Maxell] who would be the future maintainer of the [instant] Patent."¹¹

Since the maintenance fee was not timely paid by any party, the patent expired at midnight on February 24, 2003.

In early January of 2005, Maxell determined it had not received a debit note for the 3.5 year maintenance fee for the instant patent. Thereafter, using one of the USPTO's databases, Maxell determined the patent had expired.

On January 13, 2005, Maxell contacted Hitachi to determine the reasons for the patent's expiration.

In the middle of January, Hitachi contacted Asamura requesting confirmation the 3.5 year maintenance fee had been paid.

On January 20, 2005, Maxell received a reply from Hitachi. Hitachi informed Maxell that the patent expired as a result of the non-delivery of Hitachi's instructions to Asamura.¹²

¹⁰ Tamura declaration filed December 4, 2006, paragraph 16.

¹¹ Kobori declaration, paragraph 14.

¹² Inamo declaration filed December 4, 2006, paragraph 10.

Between January 20, 2005, and May 5, 2005, Maxell "reviewed the evaluation of this patent for [Maxell and] came to the a conclusion that we should maintain this patent."¹³ Inamo states,

Maxell had to reevaluate the [instant] patent.... Maxell had to estimate by Maxell's section of engineers whether it was [worthwhile] to maintain the [instant] patent. Therefore, Maxell had to take 4 months to decide that the [instant] patent should be maintained.

On May 5, 2005, Maxell instructed Hitachi to take steps to reinstate the patent.

A petition to reinstate the patent was filed July 31, 2006.

Discussion:

Overview:

In order to prove unavoidable delay, petitioner must prove, "the failure of communication alleged in the declarations [is] consistent with the degree of care to be exercised by a reasonably prudent person."¹⁴

According to Inamo, the normal practices between Hitachi and Maxell, with regards to maintaining patents was for Hitachi to pay maintenance fees for interested co-assignees, even when Hitachi did not plan to maintain the patent.¹⁵ However, Inamo has indicated Hitachi would not pay the maintenance fees for a co-assignee without a request for such action by the co-assignee.¹⁶ Hitachi had clearly informed Maxell that Hitachi would not be paying maintenance fees absent contrary instructions from Maxell. Maxell failed to provide Hitachi with clear and unambiguous instructions to pay the fee or to inform Hitachi that Maxell was relying on Hitachi to pay the fee.

The facts above indicate the parties did not exercise the care or diligence generally used and observed by prudent and careful men in relation to their most important business.

The clarity of correspondence between Hitachi and Maxell:

The Office notes Hitachi has not conceded the instructions from Maxell were clear and unambiguous. Tamura states the July 28, 2000 letter led Hitachi to believe, "[Maxell] had started their annuities systems for the maintenance of the patent."¹⁷ Tamura also states the July 28, 2000 letter, "indicated that Maxell agreed to maintain the [instant] patent at Maxell cost."¹⁸

¹³ Inamo declaration filed December 4, 2006, paragraph 11.

¹⁴ *In re Kim*, 12 U.S.P.Q.2d (BNA) 1595, 1602 (1988), *aff'd Kim v. Quigg*, 718 F. Supp. 1280 (E.D. Va. 1989).

¹⁵ Inamo declaration filed July 31, 2006, paragraphs 6 and 7.

¹⁶ Inamo declaration filed July 31, 2006, paragraph 5.

¹⁷ Tamura Declaration filed December 4, 2006, paragraph 10.

To the extent the instructions were ambiguous, petitioner has failed to prove Maxell's failure to provide Hitachi with clear instructions was unavoidable. A reasonable and prudent person, treating a patent the same as he or she would treat his or her most important business, would have ensured all instructions to third parties concerning the patent were clear and unambiguous.

Maxell asserts the instructions were clear and unambiguous. Inamo, on behalf of Maxell, asserts, "Maxell considers that we clearly instructed Hitachi to maintain the [instant] patent using the word 'agree' [in the July 28, 2000 letter]." ¹⁹

If the instructions were clear and unambiguous, Hitachi's failure to understand the clear instructions appears to have been unreasonable. Voluntary reliance on a third party, such as Hitachi, does not, per se, constitute "unavoidable" delay. When a party relies on an agent to take certain steps, the petition must address not only the party's actions *but also* address the agent's actions or inactions. ²⁰ In this case, to the extent Maxell's instructions were clear and unambiguous, the petition fails to prove Hitachi acted reasonably when it misinterpreted the instructions.

The August 1, 2000 letter from Hitachi to Asamura:

On May 16, 2000, Hitachi informed Asamura that the law firm was no longer responsible for monitoring maintenance fee due dates for the instant patent.

Upon receiving the August 1, 2000 letter, Asamura was *not* obligated to resume the prior obligation of monitoring maintenance fees. The letter did not directly refer to maintenance fees. In essence, the letter informs Asamura that, *if* any fees are incurred, the bill should be sent to Maxell instead of Hitachi.

In essence, the August 1, 2000 letter sought to create an attorney/client relationship between Maxell and Asamura with respect to the instant patent. Hitachi did not have the right to impose legal obligations on Maxell or the law firm. If Hitachi wished for Maxell to have a relationship with the law firm, Hitachi could have had Maxell contact the law firm.

¹⁸ Tamura Declaration filed July 31, 2006, paragraph 6.

¹⁹ Inamo declaration filed December 4, 2006, paragraph 10.

²⁰ See Pioneer Inv. Servs. Co. v. Brunswick Assocs. Ltd. P'ship, 507 U.S. 380, 396, 397 (1993) ("The [Circuit] court also appeared to focus its analysis on whether respondents did all they reasonably could in policing the conduct of their attorney, rather than on whether their attorney, as respondents' agent, did all he reasonable could to comply with the court-order bar date. In this, the court erred. . . . [I]n determining whether respondents' failure to file their proof of claim prior to the bar date was excusable, the proper focus is upon whether the neglect of respondents *and their counsel* was excusable." (emphasis in original)). In Huston v. Ladner, 973 F.2d 1564, 1567, 23 U.S.P.Q.2D (BNA) 1910 (Fed. Cir. 1992), the court determined the client was bound by the attorney's actions. The majority was unpersuaded by the dissent which states in part that the "errors occurred despite exceptional vigilance by the client."

Although generally bound by the mistakes of one's agent, one may not be bound by an agent's conduct if one can demonstrate intentional misconduct, such as embezzlement, by the agent.

Petitioner has failed to demonstrate a reasonable and prudent person, treating the patent the same as he or she would treat his or her most important business, would have relied on the letter to impose on the law firm the obligation to monitor maintenance fees on behalf of Maxell or to impose on Maxell an obligation to pay any and all fees incurred by the law firm.

The March 7, 2002 letter from Hitachi to Asamura:

Even if one assumes the March 7, 2002 letter was received by Asamura, the letter failed to obligate Asamura to pay the fee.

The letter stated the fee should be paid on behalf of Maxell. The letter stated Maxell would be the party incurring the fees. As discussed previously in this decision, Hitachi lacked any authority to create an attorney/client relationship between Asamura and Maxell.

The enclosure accompanying the letter did not indicate Maxell agreed to pay any fees to Asamura. The enclosure was a copy of the July 28, 2000 reply from Maxell. The reply included a copy of the January 17, 2000 letter with added handwritten notes. With regard to the instant patent, the handwritten notes state, "Maintain this patent.... [W]e agree to incur all charges for maintenance of this patent." The reply fails to include any discussion of Asamura or any agreement to pay fees to Asamura. In fact, the reply would appear to indicate Maxell will be handling the payment of maintenance fees independently. A declaration of Hiroshi Tamura, a manager in Hitachi's Intellectual Property Group, states,

[Maxell stated] they wished to maintain this patent at their account. When Hitachi, Ltd. received this reply, we considered that Hitachi Maxell, Ltd., would maintain this patent through their own control.²¹

Based on the letter, Hitachi assumed Maxell "had started their annuities systems for the maintenance of the patent."²² Hitachi should have realized Asamura might interpret the letter as an indication Maxell would use its own annuity system to pay the 3.5 year.

To the extent Asamura made any error, petitioner is reminded that, when a party relies on a third party to take certain steps, the petition must address not only the party's actions *but also* address the agent's actions or inactions.²³ In this case, *if* Hitachi's instructions were clear and

²¹ Tamura declaration filed July 31, 2006, paragraphs 6 and 7.

²² Tamura declaration filed July 31, 2006, paragraph 10.

²³ See Pioneer Inv. Servs. Co. v. Brunswick Assocs. Ltd. P'ship, 507 U.S. 380, 396, 397 (1993) ("The [Circuit] court also appeared to focus its analysis on whether respondents did all they reasonably could in policing the conduct of their attorney, rather than on whether their attorney, as respondents' agent, did all he reasonable could to comply with the court-order bar date. In this, the court erred. . . . [I]n determining whether respondents' failure to file their proof of claim prior to the bar date was excusable, the proper focus is upon whether the neglect of respondents *and their counsel* was excusable." (emphasis in original)). In Huston v. Ladner, 973 F.2d 1564, 1567, 23 U.S.P.Q.2D (BNA) 1910 (Fed. Cir. 1992), the court determined the client was bound by the attorney's actions. The majority was unpersuaded by the dissent which states in part that the "errors occurred despite exceptional vigilance by the client."

unambiguous, and *if* Hitachi had the authority to force Asamura to take actions on behalf of Maxell, then the petition fails to prove Asamura acted reasonably when it failed to take steps to ensure maintenance fees would be timely paid.

The Office notes petitioner has failed to show Maxell was aware of the August 1, 2000 letter or the March 7, 2006 letter. Maxell does not appear to have relied on either letter when it failed to pay the maintenance fee. Petitioner has failed to show Maxell had any expectation Asamura would be billing it for any fees related to the patent.

The delay from January 20, 2005, to May 5, 2005:

Petitioner has failed to prove the entire delay, including the delay from January 20, 2005, to May 5, 2006, was unavoidable.

Petitioner discovered the expiration of patent on or before January 13, 2005. On January 13, 2005, Maxell contacted Hitachi to determine the reasons for the patent's expiration.

On January 20, 2005, Maxell received a reply from Hitachi. Hitachi informed Maxell that the patent expired as a result of the non-delivery of Hitachi's instructions to Asamura.²⁴

Between January 20, 2005, and May 5, 2005, Maxell "reviewed the evaluation of this patent for [Maxell and] came to the a conclusion that we should maintain this patent."²⁵ Inamo states,

Maxell had to reevaluate the [instant] patent.... Maxell had to estimate by Maxell's section of engineers whether it was [worthwhile] to maintain the [instant] patent. Therefore, Maxell had to take 4 months to decide that the [instant] patent should be maintained.

On May 5, 2005, Maxell instructed Hitachi to take steps to reinstate the patent.

In order for the petition to be granted, petitioner must prove the *entire* delay in the submission of the maintenance fee was unavoidable. In this case, more than three months of delay resulted from petitioner spending time evaluating the value of the patent. The three months of delay was neither unavoidable nor unintentional.

A petition under 37 CFR 1.378(b) must demonstrate petitioner treated the patent the same as a reasonable and prudent person would treat his or her *most important business*.²⁶ An individual

Although generally bound by the mistakes of one's agent, one may not be bound by an agent's conduct if one can demonstrate intentional misconduct, such as embezzlement, by the agent.

²⁴ Inamo declaration filed December 4, 2006, paragraph 10.

²⁵ Inamo declaration filed December 4, 2006, paragraph 11.

²⁶ In re Mattullath at 514-515 (quoting Ex parte Pratt, 1887 Dec. Comm'r Pat. 31, 32-33 (1887)) states, with emphasis added, that the unavoidable standard, "requires no more or greater care or diligence than is generally used and observed by prudent and careful men *in relation to their most important business*."

treating the patent the same as his or her most important business would not have delayed taking steps to reinstate the patent in order to ensure the patent was of sufficient value to warrant such action.

For the reasons above, petitioner has failed to prove the entire delay in payment of the maintenance fee was unavoidable.

The delay from May 6, 2005, until July 31, 2006:

Petitioner provides the following reasons for the delay in filing the July 31, 2006 petition:

- (1) the need to communicate between four entities (Maxell, Hitachi, Asamura, and Olcott),
- (2) the retirement of personnel from Asamura,
- (3) the need to consult with U.S. attorneys regarding the information necessary to petition to reinstate a patent,
- (4) the need to investigate the circumstances surrounding non-payment of the fee,
- (5) time was necessary to determine who would sign declaration and the information to place into the declarations, and
- (6) time was necessary to prepare, review, and execute the declarations and to prepare and review the petition.

Petitioner has not shown a reasonable and prudent person treating the patent the same as he would treat his most important business, would have taken more than 14 months to take the steps above.

35 U.S.C. 41(c)(1) states that, "The Director may accept the payment of any maintenance fee . . . after the six month grace period if the delay is shown to the satisfaction of the Director to have been unavoidable." The statute requires a "showing" by petitioner. Therefore, petitioner has the burden of proof. Petitioner has failed to satisfy petitioner's burden of proof.

Petitioner has failed to prove the delay of more than 14 months after May 6, 2005, was unavoidable. Therefore, petitioner has failed to prove the entire delay in the submission of the maintenance fee was unavoidable.

Decision

The prior decision which refused to accept under 37 CFR 1.378(b) the delayed payment of a maintenance fee for the above-identified patent has been reconsidered. For the reasons herein

Failing to require an individual prove he treated a patent, or application, the same as he would treat his most important business is necessary in order to avoid "intentional" being considered "unavoidable" delays. For example, if a patentee intentionally fails to pay a maintenance fee because he reasonably and prudently believes that the patent is worthless, but later discovers the patent is commercially viable, he could seek to reinstate the patent by arguing that a reasonable and prudent person would not spend money to maintain a patent unless, or until, the patent was determined to have monetary worth. In the situation above, the delay would be unavoidable but not be unintentional. Congress, when it created the unintentional standard, clearly indicated that such a standard was to be the lesser standard. An intentional delay cannot be an unavoidable delay regardless of how reasonable or prudent a petitioner may be in delaying payment.

and stated in the previous decision, the entire delay in this case cannot be regarded as unavoidable within the meaning of 35 U.S.C. 41(c)(1) and 37 CFR 1.378(b). Therefore, the petition is **denied**.

As stated in 37 CFR 1.378(e), the Office will not further consider or review the matter of the reinstatement of the patent.

The patent file is being forwarded to Files Repository.

Telephone inquiries may be directed to Petitions Attorney Steven Brantley at (571) 272-3203.

A handwritten signature in cursive script, appearing to read "Charles Pearson", with a long horizontal flourish extending to the right.

Charles Pearson
Director
Office of Petitions